



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

IN THE MATTER OF THE APPLICATION OF
VERIZON NEW JERSEY, INC. FOR THE
APPROVAL OF THE SALE AND CONVEYANCE
OF REAL PROPERTY LOCATED IN THE
TOWNSHIP OF FREEHOLD, MONMOUTH
COUNTY, NEW JERSEY TO 75 BANNARD
STREET REALTY CORPORATION

) TELECOMMUNICATIONS

ORDER OF APPROVAL

)
) DOCKET NO. TM06010015

(SERVICE LIST ATTACHED)

On January 9, 2006, Verizon New Jersey Inc. ("Petitioner" or "VNJ") filed an application for approval of the sale and conveyance of real property located in the Township of Freehold, Monmouth County, New Jersey ("Property") to 75 Bannard St. Realty Corp. ("Buyer"). According to the petition, VNJ is the owner of a certain parcel of Property consisting of a one story 38,055 square foot building on approximately 8.153 acres of land located in the Township of Freehold, Monmouth County, New Jersey. The Property is known and designated as Lot 16 in Block 65.01 on the Tax Map of the Township of Freehold, Monmouth County, New Jersey.

The Property was originally acquired by the Petitioner on December 18, 1992, for Petitioner's District Service Center. Improvements to the Property consist of the existing 38,055 square foot building and accessory facilities at a total cost to date of \$5,530,811.00. In July, 2005, VNJ determined that the Property was not required for any present or prospective utility purposes, and therefore could be marketed for sale. The Property ceased to be used for such purpose on or about March, 2006, when personnel from this location were transferred to another existing location in Freehold, New Jersey.

Welsh Chester Galiney Matone, Inc., a real estate appraiser, was requested to review the current market conditions and to determine the value of the Property. The appraiser concluded, based on the available market data that as of June 9, 2004, the market value of the Property was \$4,250,000.00. On October, 2005, Welsh Chester Galiney Matone, Inc. re-examined the local market based on current market conditions and the Petitioner's marketing efforts and

issued an addendum to its original appraisal revising the appraised market value as being \$6,150,000.00.

The Property is presently carried on the Petitioner's books in the amount of \$4,284,185. The Property is not income producing, and its 2005/2006 assessed value is \$3,922,200.

The Property was advertised for sale in August, 2005. On October 21, 2005, five bids were received. The highest bid was received and accepted by the Petitioner in the amount of \$6,125,000 by 75 Bannard St. Realty Corp. the Petitioner believes that the Buyer's bid is the best price attainable for the Property and represents the true fair market value of the Property.

According to VNJ, the Petitioner reserves no rights or interests in the Property except all rights, titles, and interest in and to all telecommunications facilities presently located in the public streets adjoining the Property and permanent and perpetual right, privilege, authority, easement and right of way to place, replace, construct, reconstruct, install, operate, use, repair, maintain, relocate and remove such telecommunications facilities as VNJ and its successors and assigns may from time to time deem necessary in, on, over, under and through the streets adjoining the Property.

VNJ and the Buyer have complied with all statutory requirements regarding the sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

The Division of the Ratepayer Advocate ("Ratepayer Advocate") filed its comments on February 2, 2006, recommending that VNJ's petition be deferred until a most recent appraisal is obtained and provided to all parties. Ratepayer Advocate noted that although the purchase offer of \$6,125,000.00 came in above the initial appraisal of \$4,250,000.00, the Petitioner's costs to date on the property exceeds \$8,000,000. The Ratepayer Advocate stated that it continues to question VNJ's business prudence in connection with the sale transaction and urged the Board to further investigate and look behind the numbers and appraisals. The Ratepayer Advocate believes that VNJ should be ordered to obtain a new independent appraisal. In addition, the Ratepayer Advocate recommended that the Board modify its previously issued sharing order and direct a sharing of the proceeds of the sale with the ratepayers.

In its comments filed on February 7, 2005, VNJ argues that the Ratepayer Advocate continues to maintain its position that ratepayers be permitted to share in the proceeds of the sale despite the fact the Board squarely rejected its sharing argument in a separate investigative proceeding solely on this issue. See Order, I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005). VNJ also argues that the Ratepayer Advocate's recommendation that VNJ be ordered to obtain an updated appraisal ignores the fundamental principle that the actual value of a property is ultimately determined by the market--not by expert opinion. VNJ further argues that the Board rejected similar Ratepayer Advocate assertions in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County to Joseph Lobo, BPU Docket No. TM05020103 (June 8, 2005); and in I/M/O the Application of Verizon New Jersey Inc. for Approval of the Sale and Conveyance of Real Property in the Borough of Oradell, Bergen County to Holy Name Hospital, BPU Docket No. TM05080754. (October 27, 2005). VNJ notes that the sale price of \$6,125,000.00 exceeds the original appraisal and is equal to the revised appraised value. On March 1, 2006, VNJ forwarded a copy of a facsimile to staff correcting the Ratepayer Advocate's figure of total cost

to date for this property from over \$8,000,000 to \$5,530,811 as originally stated in the petition. Staff conversations with Ratepayer Advocate revealed that Ratepayer Advocate mistakenly added the initial cost of the Property to the total cost to date (which already had been accounted for in the initial cost of the Property). This double counting of the initial cost by the Ratepayer Advocate resulted in a total cost to date of the Property to over \$8,000,000.00 instead of \$5,530,811.00, which was correctly stated in the Petition and later was confirmed by VNJ.

DISCUSSION

The Board agrees with VNJ's position that the fact that the Property was advertised and that the competitive bidding process produced a highest bid is a proper indication that the Petitioner accepted the best achievable market price. The Board notes that the market value of a property is determined by the economic forces of demand and supply within a given market not on the original cost of the property. The Board also notes that the sale price of \$6,125,000.00 of the Property is higher than the Property's original appraised value of \$4,250,000, book value of \$4,284,165, and the total cost to date of \$5,530,811. Furthermore the Board finds that it has resolved the sharing issue in its previous Order I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005), indicating that VNJ is being regulated under an Alternate Plan of Regulation that does not require sharing of any sale proceedings arising from the sale and conveyance of real property by VNJ.

In view of the foregoing, the Board FINDS that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly HEREBY APPROVES the sale, subject to the following conditions:

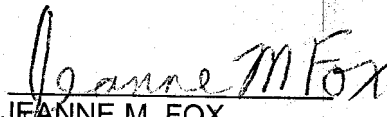
Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of completion;

this Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board; and

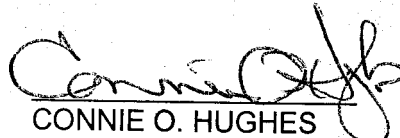
the approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

DATED: 3/31/06

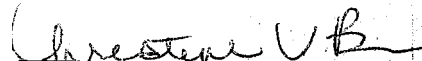
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

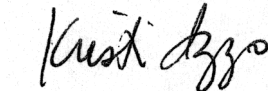

FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

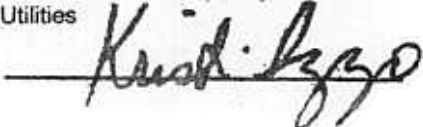

JOSEPH L. FLORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

Docket No. TM06010015

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